

New developments in tax legislation

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The end of 2010 draws near and 2011 is approaching. The new Czech Government and Senate have been busy and prepared numerous significant legislative changes that will take place in various areas of the current tax practice as of 1 January 2011.

1. Income tax

The amendment to the Income Taxes Act has already been signed by the president of the Czech Republic and will take effect on 1 January 2011.

Ecological equipment will no longer be exempted from income tax

As of 1 January 2011 ecological equipment operations, including photovoltaic power plants that were previously exempted from income for five years from being put into operation, will no longer be exempted from income tax. Tax payers will be able to use the exemption for the last time in the tax period that began in 2010. This means that the cancelled exemption will also relate to tax payers that put into operation electricity generation equipment before the amendment took effect.

Changes in depreciating tangible property designated for the generation of electricity from solar radiation

In relation to the specified tangible property (technological parts – for example solar panels), used at least partly to generate electricity from solar radiation, there will be a new obligation to depreciate and the depreciation period will be extended. For the technological part of this property, there will be a new provision of law according to which depreciations will be made evenly on a monthly basis for the period of 240 months (20 years), and depreciations cannot be interrupted. The tax payer will be required to commence depreciations in the month which follows the month when the conditions for depreciating property are met. Technical improvements of this property will increase its purchase price whereas after the technical improvements are complete the depreciation period will be at least 10 years.

The above-mentioned new regulation will also relate fully to any property purchased and recorded in the company's assets before the end of 2010. In relation to any property where depreciations started before 1 January 2011, depreciations will be obligatorily changed in accordance with the new regulation of law, starting in the tax period which commences in 2011. The overall depreciation period will be reduced by the number of calendar months for which the equipment was depreciated before this change. If the depreciation of the recorded property has not started on 1 January 2011, there will be an obligation to start depreciations in the first month of the tax period which commences in 2011.

Changes in financial leasing

Considering that financial leasing is one of the possible forms to acquire photovoltaic power plants, the amended law also regulates the minimal period for the lease when acquiring this property through financial leasing. The amended law also relates to this in the event such agreements are terminated prematurely and in the event the property used by the tenant based on a regular lease agreement is sold.

In addition, the law will newly expressly state the minimum lease period for the tangible property included in the 4th and 5th depreciation group and acquired through financial leasing with the subsequent purchase of the leased property. The regime for the property included in the 2nd and 3rd depreciation group remains unchanged. The new law will only apply to agreements entered into as of 1 January 2011; the current regulation of law will apply to agreements entered into before this date if the subject of the lease was assigned.

Last but not least the new law allows reducing the tax base by the compensation money in the event of assigning the leasing agreement in the form of depreciations if the amount of the compensation money forms part of the purchase price of the property.

Cancellation of tax discounts when employing disabled persons

As of the next year the possibility to apply tax discounts in the amount of one half of the tax for companies that employ at least 25 employees where the disabled employees form at least 50% of all employees is cancelled without any substitution. The support for these employers is to be moved to the subsidies area.

Absolute tax discounts in the amount of CZK 18,000 and CZK 60,000 when employing disabled persons and persons with a strong health disability remain unchanged.

Change in the life insurance conditions

According to the new law the pension insurance conditions and additional insurance conditions will be harmonised with tax advantages provided in relation to private life insurance products, whereas the limit for any employee tax exemption in the amount of CZK 24,000 per year from the same employer will remain unchanged.

Newly it will not be possible, when collecting financial amounts during the insurance policy, to reduce the tax base in order to apply a special tax rate by the entire amount of the insurance fee paid but only by the insurance fee paid by the employee and not the employer as has been the case until today.

The new law also expressly states that non-taxable parts of the tax base, which were applied previously due to the paid insurance fee for private life insurance, remain unchanged even in the case of transferring the reserve, capital value, and the insurance surrender to a new private life insurance policy.

Fixed costs for transportation

In relation to a vehicle co-ownership (or joint ownership in the case of spouses), the law states that each of them may only apply a corresponding part of fixed costs and that it is not possible for one of them to apply factual costs and for the other to apply a corresponding part of fixed costs.

Furthermore the law states that in relation to one vehicle fixed costs cannot be changed to actual costs during one tax period. In relation to a newly purchased or retired vehicle during a calendar month it is possible to apply a corresponding part of the fixed costs. At the same time, the new law removes any unclear interpretation in relation to letting a vehicle to another person and recognising parking tickets, when the law excludes from tax deductible costs parking tickets during a business trip but recognises for example costs related to a long-term lease of a parking space. The possibility to use the fixed transportation cost is, in addition to commercial companies, allowed only to certain non-for profit organisations that the law expressly lists.

Limited support of building savings schemes

The state will no longer support the building savings schemes as has been the case until now. The state contribution for 2010 credited in the next year will be taxed by 50%. In the coming years the state contribution should drop from the current 15% to 10% of the annual deposit but no more than by CZK 2,000 per year. Revenues from building savings, which have been exempted from tax, will newly be taxed.

Tax discounts reductions per tax payer

In order to cover the costs of repeated flood damage, the main tax discount of a tax payer will be reduced in 2011 by CZK 1,200 per year. The tax discount will thus drop from the current CZK 24,840 to CZK 23,640. In 2012 the tax discount will increase to today's level, i.e. to CZK 24,840.

Further changes

In addition to the above-mentioned developments, we would like to outline a number of changes that will take place in the income tax as of 1 January 2011:

- Taxation of an old-age pension if the additional income exceeds CZK 840,000 per year;
- Introduction of new fixed cost in the amount of 30% in relation to income from the leased property contributed to the business assets;
- Changes related to the gifts of individuals provided to another country. Such gifts must generally meet the same conditions as the gifts provided in the Czech Republic;
- For education related gifts provided by entities, the limit for deducting the gift value from the tax base is increased from the current 5% to 10%;
- Specification of rules that a foreign fund must meet when investing in the Czech Republic in order to obtain a similar tax advantage (the 5% tax rate) like domestic funds of collective investments that are subject to the regulation of the Czech National Bank;
- Corrections of the tax base by the influences caused to the business performance using the component depreciations of assets in the accounting;
- Introduction of the possibility to correct the tax base in the tax period in which the condition of tax recognition is violated (for example the amount of the purchase price in the subsequent purchase of the subject of lease and so on). In these cases it will no longer be necessary to file an additional tax return;

- Introduction of the possibility for the legal successor of a debtor that previously taxed additionally the unpaid obligation to reduce the tax base by the value of the obligation in the event that this obligation ceases to exist.

2. Reserves Act

The president of the Czech Republic has already signed the amendment to the Reserves Act.

- The reserves Act is more specified when it comes to the interpretation of the fact that during the liquidation or during the insolvency proceedings in the period in which the effects of the announced bankruptcy last it is impossible to create tax deductible reserves and adjustments;
- The possibility of the banks to request a higher creation of adjustments and reserves is cancelled;
- There is a new obligation to cancel the created reserve or its part in the tax period in which the condition to deposit funds of the reserve to a separate account is not met, and not in the subsequent tax period as has been the case until now. Furthermore it is possible to create tax deductible adjustments in relation to receivables that were brought before the court regardless of whether the court proceedings have ended.

3. New fee for solar power plants

The Senate is reviewing an amendment to the Renewable Sources Support Act. All large and mid-sized power plants with the installed output of more than 30 kW that were connected to the grid last year or will be connected this year will pay the off-take charge amounting to 26 % of the solar energy purchase price and 28% of the green bonus.

4. Triple tax amendment – gift tax

The Senate is also reviewing a triple tax amendment which will introduce a gift tax amounting to 32 % of the emission permits acquired free of charge in 2011 and 2012 which the State has provided for free so far.

5. VAT

In our August newsletter we informed you briefly about the VAT changes which should take place as of 1 January 2011. The VAT Act amendment is being reviewed by the Czech Parliament. Below we would like to remind you about what we can expect in this area next year and we provide more information to selected topics:

Right to deduct in relation to assets resulting from own activity

There are new rules for claiming input and output tax for long-term assets resulting from own activities, in relation to tangible as well as intangible property, which the tax payer will further use for the so called mixed purposes, i.e. partly for the purposes with the right to claim a tax deduction and partly for the purposes without the right to claim a tax deduction. When creating long-term assets from own activities, which the tax payer will use further for mixed purposes, the tax payer will have the right to claim a full tax deduction from the received taxable performances which the payer uses for creating these assets.

The moment of putting these assets to a condition suitable for use will be considered a taxable performance that is newly subject to tax, the tax payer will in fact “sell the assets to itself”. The tax payer will be required to include this taxable performance in its returns for the tax period in which the putting into the suitable condition occurred, whereas the tax base of this performance will be set as the usual price. For the same period the tax payer will have the right to claim from this performance a tax deduction. The amount of this right will be reduced by the actual coefficient.

For other instances of creating assets from own activities the current regulation remains in force. For assets that the tax payer will only use for the purposes without the right to a tax deduction, the payer will not have the right to claim a tax deduction from the purchase and at the same time the fiction of the delivered goods will not come into existence. In relation to assets that the tax payer will only use for the purposes of the right to deduct tax, the payer will have the

right in full to claim an input tax deduction and the fiction of goods delivery or transfer of real estate when putting these assets into a condition suitable for use will not come into existence.

The subsequent changes in the use of the long-term assets or the extent to which these assets are used for the purpose giving rise to the right to a tax deduction will continue to be subject to the regulation for the input tax and not for the output tax.

New coefficient

In relation to long-term assets that the tax payer uses only partly for its economic activities, the tax payer will no longer be able to claim a tax deduction in full and tax continuous the use for other purposes.

In relation to long-term assets the tax payer is required to apply the general procedure and is entitled to a tax deduction only to the extent to which the payer will use the assets for the payer's economic activities. Any other subsequent changes in the extent to which the assets will be used for these purposes will be taken into consideration as part of the correction mechanism, which means that a new coefficient is introduced. The coefficient value will newly be expressed in percentages.

Correction period in relation to real estate is extended to 10 years

The period for regulating tax deductions will be extended to 10 years in relation to plots of land, constructions, flats, non-residential premises; in relation to other long-term assets it will remain 5 years. The length of the adjustment period for technical improvements of real estate has not been clarified yet.

Except for the sale of the assets, the annual adjustment of the tax deduction will continue to be made only up to one fifth, or one tenth of the relevant difference in the right to a tax deduction and will be taken into consideration for the tax deduction amount if the assets were used for changed purposes only for a part of the relevant calendar year.

At the same time, the new rules for the tax deduction will only apply to assets purchased from the day this new law takes effect, i.e. from 1 January 2011. In relation to the assets purchased before the end of 2010 the current rules apply. There will be an exception when creating from own activities long-term assets used for mixed purposes in the period until the end of 2010 and their putting into a condition suitable for use in 2011 when the new rules will apply. At the moment the assets are finished and fictitiously delivered in 2011, the tax payer will "additionally apply" deductions which the payer claimed in 2010 only in part (in the amount of the coefficient).

A new mechanism is introduced by which the stock deductions are adjusted if the stock is used for other purpose for which the stock was purchased.

A duty to have a tax document to claim a tax deduction

As opposed to the current regulation, the tax payer may only claim a tax deduction when the payer has a tax document and only when the correct input tax rate is applied.

In order to make a claim, the document must contain a Tax Identification Number of the supplier as well as the party that which receives performance. Other facts of the tax document can be provided in future too in various manners expect for data that are key for calculating the tax, for example the tax base or the tax rate. Any claim can only be made once any insufficiency of the tax document is removed.

The period to claim a deduction

The period of three year remains. However, the commencement of the period will newly depend on the commencement of the tax period which follows after the tax deduction claim arises. There is no change to the tax payer's obligation to make a tax deduction claim always in the relevant calendar year in which the payer has the right to make the claim first, if this relates to the deduction subject to a coefficient. This means that the tax payer may make a claim to a tax deduction in the regular tax return no later than for the last tax period of the relevant calendar year in which the payer received the document, thereafter only in additional tax returns.

Corrections of tax base and tax amount

Corrections of the tax base will always be mandatory in comparison to the current status according to which the tax payer had in certain circumstances the possibility, and in certain circumstance the obligation, to adjust the tax base and the tax amount. In this connection the "tax refund" ("daňový dobropis") or "tax debit note" ("daňový vrubopis") are cancelled.

These corrections arise from general commercial relationships, when for example the payment is reduced in the form of a discount after the date of the taxable performance, the taxable performance is cancelled in full or partly, the agreement is terminated prematurely and so on. The tax payer is required to issue a corrected tax document if it had on delivery to issue a tax document. If the tax payer did not have to issue such a tax document, it will only correct the tax records for the VAT Act purposes. In this case the tax payer will make the correction in the regular tax returns.

In this way it will no longer be possible to make corrections in cases when the tax payer erroneously applies a tax rate or specifies the place of supply or subject matter of the taxable performance and thus increases its tax duty, i.e. when applying tax differently from what is stated in the law. In this case the new correction will be made in the form of additional tax returns.

Currently the legal opinion is not clear in relation to the obligation to tax multiple and other similar bonuses that could result from the new regulation of mandatory corrections of the tax base and the tax amount when the process changes (Section 42).

Corrections of tax amount in relation to receivables in insolvency proceedings

There will be a possibility to correct the sales tax amount in relation to receivables from debtors (customers) that are in insolvency proceedings where the receivables came into existence no later than 6 months ago before the courts decision on insolvency.

Based on this provision the creditor (supplier) will be entitled to a correction of the sales tax amount if the debtor (customer) fails to pay for the goods delivered or services provided and the insolvency court initiates insolvency proceedings and decides on the manner of resolving the insolvency.

Change in the place of performance in the area of culture, sports, science, and entertainment

There is a change in the place of performance of services related to cultural, artistic, sporting, scientific or educational events and their organisation (exhibitions and fairs) in B2B transactions that is services provided to the person obligated to tax.

These services will continue to be taxed according to the place where they occur as only services that consist in the right to enter these events, and additional services that are directly related to this entitlement. Other B2B services, including the organiser services, will be subject to the basic rule, i.e. taxed according to the customer's residence.

In relation to these services provided to the person not obligated to tax (the so called B2C services), there will be no change and they continue to be taxed in the place where the relevant event takes place. The volume of cultural, artistic, sporting, scientific, educational, and entertainment events that are subject to special rules remains unchanged and continues to include also conferences, seminars, fairs, or exhibitions.

Services consisting in the right to enter include all services that enter in the amount of the entrance ticket or participation fee for the given event, including the entrance ticket in the form of a pre-paid entrance ticket, permanent admission card or subscriptions. Services directly related to the entitlement to enter include services that are provided separately for payment directly to the person participating in the event at the place of the event. These services include for example the use of change rooms or sanitary facilities.

Taxing advances for services received

There will be a unified obligation to declare tax in the case of received and provided advances for services provided to another state and received from another state. The obligation to declare tax is newly in the tax return for the tax period in which the payer provided an advance to a person from another state that provides the service to the tax payer. Thus if the payment is made to the account before the service is provided, there arises the obligation to declare tax from the provided payment.

Specification of the period for final permits to use real estate

It will be specified when the three-year period starts for the purposes of tax exemption if the period is calculated from the moment of the construction final permit. The period starts to run from the permit which was issued first for the purposes

for which the construction is currently used. Other final permits that are issued for the same use have no effect on the start of the period. In relation to constructions that do not require any final permit, the three-year period starts on the moment the first permit to use the construction was issued for the purpose for which the construction is currently used.

Tax guarantee

Newly there will exist a tax guarantee, when the supplier and customer of the taxable performance will have a joint liability for correct VAT returns. This provision only relates to domestic payers and only in the case that the tax enforcement is not successful against the party providing the taxable performance.

The condition for applying the guarantee will be the so called "knowledge test" in relation to certain facts, whereas the circumstance of the mistake can include a situation in which the customer unknowingly committed negligence in relation to these facts, i.e. the mistake can possibly be intentional, knowing negligence (the person knew) or even unknowing negligence (the party should have and could have known).

Alternatively there must be the criterion of an unusually lower or higher price, and the fact that any such deviation does not have any economic ground (i.e. the agreed price clearly deviated from the usual price). Based on agreement with the supplier, the recipient of the taxable performance may pay voluntarily on behalf of the supplier tax directly to the tax administrator. In this case the general rule, according to which the tax payment should be used to cover the oldest outstanding amounts on the supplier's given personal tax account, will not apply.

Changes in the charge when the payer forgets to register

In the event that the person obligated to pay tax forgets to register, the tax administrator will specify tax from a tax base using another method which is the aggregate of payments for the tax performances made for the period in which the person was supposed to become the tax payer.

When specifying the tax amount, the tax rate valid for the supply as of the taxable performance date will be used (10 % or 20 %). The tax administrator will not take in account any possible tax deductions for this tax period.

Further changes

The amendment contains further changes:

- In the end, the new law will not contain the originally proposed provisions on the possibility to chose the exemption or taxation of real estate on transfer;
- The time-limited provision on the reduced tax rate for construction and assembly works related to finished flats, block of flats, and family houses valid only until the end of this year will be cancelled. Thus in 2011 the reduced tax rate for construction works related to finished residential projects will apply as until now.
- Newly the tax payer may ask to cancel the registration in the event that it only provides performance exempted from tax without the entitlement to deduct tax. Simultaneously this person is exempted from the obligation to register as the tax payer and is not entitled to file a registration application. At the same time, the tax administration is newly authorised to cancel such person's tax registration.
- There will be special regimes between the tax payers when delivering scrap, emission permits, construction works and fuels (reverse charge for local deliveries).
- There will be a change in conditions for the method of delivering a summary report to the tax administrator which may currently be delivered only electronically through a data box or with electronic signature. It will be possible now to deliver summary reports without an electronic signature if the payer confirms the returns within five days.
- The specific rule for specifying the place of performance, which was valid for deliveries of gas and electricity through distribution systems, will also be extended to include deliveries of heat and cold.

6. Tax Rule

As of 1 January 2011 the current Tax Administration and Fees Act will be replaced by a new Tax Rule. As opposed to the current Act, the Tax Rule should in particular bring a greater interpretation security to tax payers as well as the tax administration. Although we informed you about the changes earlier, we would like to sum up the most interesting once again:

Changes in the period for tax assessment

There will be certain changes in the tax assessment period (after the period lapses it is no longer possible to assess tax, and thus the statute of limitations “lapses in vain”). The main period will be three years from the last day for filing the regular tax return (i.e. for example for the corporate income tax from 31 March or 30 June). According to the set rules, the period will be extended not only based on the tasks of the tax administrator (for example start of an inspection), but also based on certain tasks of the tax payer (for example filing additional tax returns in the last year of the period).

Cancellation of the notification duty of payments to non-entrepreneurs

According to the current regulation, the entrepreneurial entities that make payments to individuals non-entrepreneurs for their other gainful activities (for example experts, insolvency administrators, sponsors of sportsmen and artists and others) or for lease are required to notify such payments to the tax administrator if the amount in relation to the relevant person exceeds CZK 40,000 per year. This obligation does not appear in the Tax Rule.

Change in the interest on delay and penalty

Interest on delay changed for late tax payments will newly be calculated as late as from the fifth working day following the due date. This regulation should compensate the change introduced earlier where the payment day is the day when the means are credited to the tax administrator’s account, and not the day the payment is dispatched.

The penalty rate assigned when reducing the tax loss based on the tax administrator’s inspection was reduced from 5% to 1%.

Specification of clear rule for repeated tax inspections and their limitation

The possibility to repeat a tax inspection that relates to already verified facts is tied to the finding of new facts or evidence material or to a new statement of the tax subject. A tax inspection may be carried out jointly for more tax procedures, but there will be a principle that the tax subject should be burdened as little as possible. Tax administrators may also perform partial tax inspections (for example only in relation to tax depreciations or adjustments). If the local competence changes, the tax inspection and tax execution may be finished by the original tax administrator.

Further changes

- The amendment further contains the following changes:
- Taxes and appurtenances can no longer be pardoned based on an individual request but only in aggregate and in advance published cases for reasons of inconsistency in tax laws. The only exception is the possibility to pardon the tax interest where it was possible to wait (to defer payment or allow instalments) for reasons of economic or social harshness.
- A document will be considered delivered if not picked up within fifteen days from the day the recipient is not found at home and the document is deposited at an office.
- The law shortens the general period after the lapse of which it is possible to defend oneself against the administrator’s inactivity from six to three months, and introduces the requirement to justify each of the administrator’s decisions.
- The tax payer will have access by law to all that should be used as evidence and furthermore has the possibility to view the complete list of documents contained in the file.
- The Tax Rule newly regulates the tax execution and introduces, amongst other things, a rule according to which it is necessary when choosing the enforcing method to make sure that the costs related to the enforcement are not disproportionately higher in relation to the enforced outstanding amount.

7. Accounting regulations

There will also be several changes in accounting regulations (the Accountancy Act and related decrees) as of 1 January 2011. The amendment is now in the Senate.

Simplified publishing of information

Accounting units that are not legal entities and accounting units that are legal entities but did not exceed two out of three criteria (250 employees, assets worth CZK 350 million, and the total annual turn-over of CZK 700 million) will be exempted from the obligation to publish information about the division of income from sales of goods, products, and services according to the category of activities and according to the geographical markets, and are not required to explain the amounts stated in the balance sheet line “Administration Costs”.

Preparing cash-flow

The amendment will narrow the obligation to prepare an overview of cash flows and changes in own capital that the accounting unit will be required to prepare only in the case that it exceeds one of two value criteria (gross assets worth of CZK 40 million or a turnover of CZK 80 million). This change will enable small accounting units not to prepare the above-mentioned overviews.

Consolidated financial statements

The amendment newly specifies the consolidation entity and adds the release from the obligation to prepare a consolidated financial statement if the consolidated accounting unit controls only such consolidated accounting units that are separately as well as in aggregate insignificant and it is sufficient to file the financial statement of the consolidated accounting unit to give a true and honest picture about the subject matter of the accounting and financial situation of the consolidating unit.

A new text of the provision on consolidation is proposed that among other things specifies more the definition of the term “consolidating accounting unit”, “consolidated accounting unit”, “accounting unit under common control”, and “consolidation entity”.

Depreciating goodwill and valuation difference of assets

There will be a new possibility to depreciate goodwill in a period shorter than 60 months, and there will be also a possibility of an alternative solution which enables an accounting unit to depreciate goodwill also for a period longer than 60 months added to the basic solution.

Under certain circumstances the depreciation of active or negative valuation difference of acquired assets may be shortened. The accounting unit must justify both these facts in an attachment to the financial statement.

The presumption of the uninterrupted existence of the accounting unit

There will be a new provision on the obligation to publish data in cases where there is significant uncertainty consisting of facts or circumstances that may significantly undermine the presumption of the uninterrupted existence of the accounting unit but that do not result in a change of accounting methods used by the accounting unit.

The accounting unit will include information about these facts or circumstances (their possible impact on the ability of the accounting unit to continue in its activity and its plan to resolve them) in an attachment to the financial statement.

International accounting standards

There will be a new obligation to use international accounting standards for accounting and preparing financial statements in the case that the accounting unit issues securities accepted for trading on EU markets; the possibility to use international accounting standards is also given to the accounting unit that is not “temporarily” the securities issuer.

The possibility to use international accounting standard is given for preparing financial statements in cases where the consolidating or consolidated accounting unit or unit under the common control use for preparing consolidated financial statements international accounting standards.

Fines

A new regulation of administrative fines is proposed. Above all, it enables to calculate the amount of the fine from the following:

1. Value of all assets ascertained from the financial statements, or from consolidated financial statements, made for the accounting period in which or for which an obligation was breached;
2. The amount of the assets ascertained by the inspection body in the case that the value of assets stated in the financial statements, or in consolidated financial statements made for the accounting period in which an obligation was breached does not correspond to the amount of the assets ascertained in the proceedings on imposing a fine.

Thus the new system should punish also the accounting units whose assets, in relation to which the fines are calculated, are undervalued. If the value of assets cannot be ascertained according to the previous rules, it will be established based on a qualified estimate, in the case that the extent and content of the accounting instances is comparable with the previous accounting period, the amount of the assets ascertained from the financial statements made for the previous period.

Foreign individuals

Foreign individuals that carry out business in the Czech Republic will newly be obligated to conduct their accounting like Czech individuals.

8. Sickness insurance

- Once the new law is included in the Collection of Laws, there will be new rules for providing sickness insurance that will only apply between 2011 and 2013. The sickness insurance should be newly paid as late as from the 22nd day of illness or quarantine, and until such time the employers should pay their employees compensation of wages. According to the current regulation, the employers only pay the compensation until the 14th day of illness. During the first three days of illness there will be no compensation of wages as is the case today. The new law will also change the amount of the sick pay that was originally reduced only for 2010 but due to the unfavourable condition of public finances this savings measure will also be kept for 2011.
- In addition the assessment base for self-employed (OSVČ) is being harmonised for the purposes of sickness and pension insurance (previously persons could, for speculative reasons, choose a higher assessment base for sickness insurance payments than that for pension insurance). Only those self-employed (OSVČ) who have a pension insurance policy will be able to have a sickness insurance policy. It is also proposed to enable self-employed (OSVČ) to pay deposits for pension insurance for longer periods than one month, but no longer than until the end of the calendar year.
- The new law preserves the insurance rate paid by employers at the 2010 level (originally the rate should have been reduced for 2011). In addition, the new law introduces a special regulation for small employers (up to 25 employees).
- The amount of the maximum assessment base for insurance payments by employees and self-employed (OSVČ) remains at the same level for 2011 as was for 2010 (the 72 multiple of the average wage).
- The new law also changes the entitlement of women to birth grants which will only be paid in relation to the first child and to families where the income does not exceed the 2.4 multiple the subsistence minimum. The entitlement to the parental contribution will only be limited to CZK 216,000, divided by the number of months for which the parental contribution will be paid (just like today for 2 to 4 years).

We trust that you will find most of the prepared legislative changes positive. We will be pleased to discuss any impacts of the above changes on to your business.

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